



THE COMMONWEALTH OF MASSACHUSETTS State Board of Retirement

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N E W S L E T T E R



Timothy P. Cahill

Welcome to the Fall 2008 edition of the **Active Member Newsletter**

We are today faced with unparalleled economic uncertainty both locally and nationally. While I understand you might be feeling anxious over your finances, including your retirement, I want to assure you of the stability of your state retirement benefits.

In this newsletter, you will learn about the value of having a Defined Benefit Plan and the health of the well-diversified PRIT and SERS funds. There are also details about free workshops and conferences you can attend to help you understand your retirement options.

Should you have any questions, suggestions or contributions for future newsletters, please do not hesitate to contact the State Board of Retirement.

On behalf of the State Board of Retirement, thank you for your service to the Commonwealth.

Timothy P. Cahill
Treasurer and Receiver General
The Commonwealth of Massachusetts



STATE BOARD OF RETIREMENT

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Money Conference for Women & Families



Economic Uncertainty Draws Record Turnout

State Treasurer Tim Cahill hosted The Money Conference for Women and Families, a free day-long financial seminar designed to teach money management skills to individuals of all levels of financial knowledge, on September 27th. Nearly 2,000 people pre-registered

for the conference, making it the largest conference Treasurer Cahill has hosted.

"Many families in Massachusetts are scared and really struggling to get by in this tough economic time," said Treasurer Cahill. "Giving people the tools to take control of their finances is a priority for my administration."

Featured speakers included Dee Lee, national financial guru and author of *Women & Money* and *Let's Talk Money*. The conference curriculum offered practical advice and tools to help participants design and implement a personal savings strategy and develop

a plan to achieve financial stability during this unstable time. Conference workshops included "Identity Theft: The Fastest Growing Crime in America", "Presenting Yourself Powerfully", and "Single Sophistication".

"The Money Conference for Women and Families now offers seminars for those with basic money management skills and another set of workshops for those with a higher level of financial literacy," said Leanne Martin, director of the Financial Education Division. "Participants also have an opportunity to talk one on one with a financial advisor and it is all free." ■

Reminders

Please notify your Human Resources coordinator of any change of address.

Important Dates to Remember:

October

Thursday, October 30 | Board Meeting

November

Tuesday, November 11 | Veterans Day, offices closed
Thursday, November 27 | Thanksgiving Day, offices closed
November Board Meeting TBD

December

Thursday, December 25 | Christmas Day, offices closed
December Board Meeting TBD



Look for this icon on our website to calculate an estimate of your pension benefits

October 19-25 is National Save for Retirement Week!

Find out more at www.retirementweek.org

Meet our Staff

We were recently honored to provide our services to one of our own staff members.

Refund Manager Nancy Lospennato retired last month after 40 years in state service. Nancy started working for the state Treasury in 1968 and was the manager of the Refund Department since 2000.

The Refund Department handles refunds and rollovers of members' retirement contributions when they are leaving state service.



*Good Luck,
Nancy!*

PRIM Board Update: September 2008

The Pension Reserves Investment Trust (PRIT) Fund is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that choose to invest in the Fund. The PRIT Fund was created by the Legislature in December 1983. The nine-member PRIM Board is responsible for the management of the PRIT Fund. The Treasurer and Receiver General of the Commonwealth is a member ex officio and serves as the chair. The State Employees' Retirement System also has two representatives on the Board: the members of that Retirement System elect one and one is an Elected Member of the State Employees' Retirement Board.

***Pension Reserves Investment Trust (PRIT) FUND ASSETS:**
\$45,361,839,000

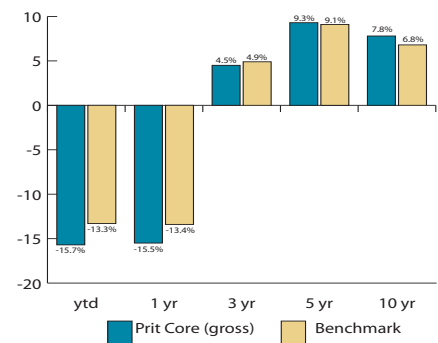
***State Employees' Retirement System (SERS) ASSETS:**
\$18,596,460,826

To get more detailed information on the Pension Reserves Investment Management (PRIM) Board you can always go to the PRIM website to view their complete quarterly updates at www.mapension.com.

Due to limited space, we can only provide a condensed version of their fund updates. (The TUCS ranking and the PRIT Core Fund graph represent two different time frames.)

*As of 9/30/2008

PRIT Core Fund as of 9/30/08



The TUCS Rankings for the 2nd Quarter 2008 (ended 6/30/08) show the PRIT Core Fund ranked in the Top 1% of Public Funds Nationwide (over \$1 billion in size) with an 8.16% annualized return over 10 years. For the recent year PRIM placed in the 19th percentile with a return of -1.82%. For the 3-year period PRIM placed in the 5th percentile (10.79%) & 5-years in 5th percentile (13.01%).

For more information about the PRIM Board, please visit their website at www.mapension.com ■

Savvy Members Learn the Ins & Outs of Retirement



Over 150 state employees helped us kick off our 2008-2009 series of retirement seminars at Holyoke Community College.

The seminars help to give you a full picture of retirement and what to expect. Presentations are given by representatives of the State Retirement Board, the SMART Plan, the Group Insurance Commission, and the Social Security Administration.

The full schedule and online registration is on our website at mass.gov/retirement. Pre-registration is required as space is limited at some venues.

Online registration is currently available on our website for the following locations:

- October 30, Quinsigamond Community College
- November 6, Middlesex Community College
- November 20, Berkshire Community College
- January 6, 2009, Framingham State College
- January 29, 2009, Massachusetts State House

Additional dates and locations will be added for late winter and spring 2009 so check back if your preferred location isn't listed.

The seminars are sponsored by the State Retirement Board, the SMART Plan, and the Treasurer's Financial Education Division. ■

Understanding Your Benefits:

Regular Compensation & the Use of Motor Vehicles

Recently, the Massachusetts Supreme Judicial Court determined that the value of the personal use of a motor vehicle supplied by an employer should not be included for purposes of calculating a retirement allowance. The decision is *Kenneth Pelonzi & another v. Retirement Board of Beverly & another*, 451 Mass. 475 (May 21, 2008).

Mr. Pelonzi was the Commissioner of Public Safety for the City of Beverly. His employer provided him with a motor vehicle, which, according to his contract, he was permitted to use both on and off duty, since he was always “on call” in the event of an emergency.

When Mr. Pelonzi retired, his retirement allowance was calculated to include the value of his personal use of the motor vehicle as part of his “regular compensation.” Subsequently, the Beverly Retirement Board determined that those amounts should not be included for purposes of calculating his retirement allowance and notified Mr. Pelonzi that his monthly retirement allowance would therefore be decreased. Mr. Pelonzi appealed the Retirement Board’s decision.

Eventually, the case was heard in the Supreme Judicial Court. The Court determined that the value of Mr. Pelonzi’s personal use of the motor vehicle supplied by his employer did not qualify as “regular compensation.” The Court found that the use of the motor vehicle was

similar to the use of other job related non-cash benefits (e.g., cellular telephones, personal computers, facsimile machines, and parking spaces) to enable Mr. Pelonzi to do his job more efficiently.

The Court further decided that the ability to use the motor vehicle for personal use was not intended to compensate him for services rendered as an employee of the City of Beverly. As a result of this case, the value of the personal use of an employer-supplied motor vehicle is not considered to be “regular compensation” for purposes of calculating one’s retirement allowance.

What is “Regular Compensation”?

Massachusetts General Laws Chapter 32, Section 1 states that “regular compensation” is determined to mean “the salary, wages or other compensation in whatever form, lawfully determined for the individual service of the employee by the employing authority”.

In addition to the value of the personal use of a vehicle, regular compensation does not include the following:

- Bonuses
- Overtime
- Unused sick leave
- Early retirement incentives
- Other payments made as a result of giving notice of retirement

The Value of a Defined Benefit Plan

Your Massachusetts State Pension is considered to be a Defined Benefit Plan. This means that your retirement benefit is not calculated based on your contributions into the system but rather a statutory formula. The formula consists of the following elements: your years of creditable service, your salary average and your age at retirement. Your benefits are **guaranteed for life**.

Contributions you and the state make into the State Employees’ Retirement System are invested in the Pension Reserves Investment Trust (PRIT) fund and are managed by the Pension Reserves Investment Management (PRIM) board.

Your benefits are not tied to the performance of the financial markets thus **fluctuations in the market have no effect on the benefit you receive**.

According to the Employee Benefits Research Institute, overall retirement confidence has dropped sharply (*Issue Brief No. 316, 2008 Retirement Confidence Survey, April 2008*). During times of economic uncertainty, a **retirement system providing benefits since 1911** can be one less thing to worry about. ■